

Canadian Celanese Limited

*Annual Report
For the Year Ended
December 31
1939*

CELANESE

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MCGILL UNIVERSITY

Directors

SIR WILLIAM ALEXANDER

W. McC. CAMERON	A. SCHWARTZ
DR. CAMILLE DREYFUS	R. H. SPERLING
DR. HENRY DREYFUS	P. A. THOMSON
C. W. PALMER	G. H. WHIGHAM

Finance and Executive Committee

P. A. THOMSON (<i>Chairman</i>)	DR. CAMILLE DREYFUS
G. H. WHIGHAM	W. McC. CAMERON

Officers

G. H. WHIGHAM, *Chairman of Board of Directors*

DR. CAMILLE DREYFUS, *President*

W. McC. CAMERON, *Vice-President*

H. BLANCHE, *Secretary and Treasurer*

C. W. PALMER
Vice-President

R. H. SPERLING
Factory Manager

C. HESSEY-WHITE
Sales Manager

General Offices

1401 McGill College Avenue
Montreal, P.Q.

Factory

Drummondville
P.Q.

Auditors

MESSRS. P. S. ROSS & SONS
Montreal, P.Q.

DIRECTORS' REPORT

March 6, 1940

TO THE SHAREHOLDERS OF
CANADIAN CELANESE LIMITED:

Presented herewith are the Balance Sheet and Earned Surplus Account as at December 31, 1939, the Statement of Income and Expenditure for the year 1939 and the Statement of Earned Surplus available for distribution as a participating dividend on the 7% Cumulative Participating Preferred Stock, prepared and certified to by Messrs. P. S. Ross & Sons.

The net profit for the year of \$1,876,595.42 remaining after appropriation of \$122,400.00 for Interest and Sinking Fund in respect of Income Funding Rights established a new record.

Capital expenditures during the year were in excess of \$300,000.00. The steadily growing demand for your Company's products requires increasing facilities and arrangements have been made to increase them materially in the coming year.

Dominion, Provincial and Municipal taxes charged against income for the year amounted to \$551,725.21.

Dividends paid during the year, including the participating dividend of 50c. per share in respect of 1938, amounted to \$1,492,165.65. The participating dividend in profits for 1939, payable April 1, 1940, brings the earnings of the holders of 7% Cumulative Participating Preferred Shares for the year to \$8.16 per share. Dividends paid during the year to the holders of Common Shares amounted to \$2.85 per share, of which 35c. was in respect of earnings in 1938, \$1.00 was in respect of regular quarterly dividends and the balance of \$1.50 was paid to the shareholders as a bonus or extra dividend. Your Board has decided it advisable for the present to continue paying small quarterly dividends and to pay, in addition, extra dividends from time to time as earnings and business conditions warrant.

The volume of business enjoyed by your Company last year, which carried its earnings to a new record, has continued to date with the result that earnings for the first quarter of this year will be considerably in excess of those for the same period last year.

For the Board of Directors,

CAMILLE DREYFUS,

President.

AUDITORS' REPORT

February 8, 1940

CANADIAN CELANESE LIMITED,
MONTREAL.

We have examined the books of account and financial records of Canadian Celanese Limited for the year ended December 31, 1939 and have obtained all the information and explanations we have required.

We certify that, in our opinion, the attached Balance Sheet and relative Statement of Income and Expenditure and Earned Surplus Account present a true and correct statement of the financial position of the Company as at December 31, 1939 and the result from operations for the year ended that date, according to the best of our information and the explanations given to us and as shown by the books of the Company.

There is attached a statement showing the amount of Earned Surplus as at December 31, 1939 available for distribution as a Participating Dividend on the Preferred Stock; we certify that, in our opinion, this statement is correct.

(Signed) P. S. ROSS & SONS,
Chartered Accountants.

BALANCE SHEET AS

ASSETS

CURRENT:	
Cash on Hand and in Banks.....	\$1,866,789.82
Government Bonds and Other Securities, at cost (approximate market value \$1,826,900.00).....	1,667,949.27
Trade Debtors, less Reserve for Doubtful Accounts.....	1,058,444.36
Other Accounts Receivable and Accrued Interest.....	13,203.88
Inventories of Raw Materials, Supplies, Work in Process and Finished Goods, as determined and certified by the Management and valued at cost.....	1,308,111.29
	<u>\$ 5,914,498.62</u>
DEFERRED AND PREPAID CHARGES:	
Unexpired Insurance and Taxes.....	21,221.97
Inventories of Stationery and Advertising Materials.....	17,768.80
Expenses applicable to future operations.....	12,362.13
Cost of Income Funding Rights purchased in anticipation of Sinking Fund requirements.....	69,984.45
	<u>121,337.35</u>
SECURITIES HELD FOR INVESTMENT, valued at cost.....	195,574.39
FIXED:	
Real Estate, Plant, Machinery and Equipment, at cost.....	11,731,674.35
Patents and Trade Marks.....	986,370.25
SPECIAL FUND re INCOME FUNDING RIGHTS, AS PER CONTRA.....	367,200.00
ASSETS HELD FOR SPECIAL FUND—	
Government Bonds at cost (approximate market value \$230,575.00).....	221,950.00
Income Funding Rights, 5,810 Rights valued at \$25.00 per Right.....	145,250.00
	<u>\$ 367,200.00</u>

\$19,316,654.96

APPROVED ON BEHALF OF THE BOARD:

(Signed) CHARLES W. PALMER.....Director.

(Signed) A. SCHWARTZ.....Director.

AT DECEMBER 31, 1939

LIABILITIES

CURRENT:

Accounts Payable and Accrued Liabilities.....	\$ 271,263.78	
Provision for Dominion, Provincial and Municipal Taxes.....	483,656.63	
Interest on Income Funding Rights.....	73,971.00	
		\$ 828,891.41

RESERVES:

For Depreciation of Buildings, Machinery and Equipment....	3,207,384.35	
For Amortization of Patents.....	287,491.84	
Special Reserve.....	550,000.00	
		4,044,876.19

CAPITAL STOCK:

Authorized—

150,000 Shares 7% Cumulative Participating Preferred, Par Value \$100.00 per share.
300,000 Shares Common, without Nominal or Par Value.

Issued—

100,000 Shares Preferred.....	10,000,000.00	
260,409 Shares Common.....	1,169,045.00	
		11,169,045.00

Income Funding Rights having the attributes set forth in Special By-Law "A":

Issued under the Scheme of Arrangement of November 7, 1934.	90,000 Rights
Less: Purchased by the Company and held in Special Fund, as per contra.....	5,810
Held in anticipation of Sinking Fund requirements.....	3,412
Delivered to Sinking Fund.....	6,807
	16,029 Rights
	73,971 Rights

(Rights purchased by the Company cannot be re-issued)

BALANCE OF SINKING FUND re INCOME FUNDING RIGHTS set aside in accordance with the provisions of Clause 3 of Special By-Law "A".....

8.00

SPECIAL FUND re INCOME FUNDING RIGHTS, as per contra, set aside in accordance with the provisions of Clause 5 of Special By-Law "A".....

367,200.00

SURPLUS ACCOUNTS:

Distributable Surplus, set aside in 1936 in accordance with the provisions of Sub-Section 7 of Section 12 of The Companies Act, 1934.....	62,500.00	
Earned Surplus, per Statement attached.....	2,844,134.36	
		2,906,634.36
		<u>\$19,316,654.96</u>

This is the Balance Sheet referred to in our attached Report of even date.

(Signed) P. S. ROSS & SONS,
Chartered Accountants.

MONTREAL, February 8, 1940.

STATEMENT OF INCOME AND EXPENDITURE

for the year ended December 31, 1939

NET OPERATING PROFIT before taking up the items below	\$2,982,676.30
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ADD:

Income from Investments	\$ 88,558.99	
Profit on Income Funding Rights purchased for Special Fund and for Sinking Fund	11,644.47	100,203.46
		3,082,879.76

DEDUCT:

Remuneration of Executive Officers and Direc- tors required to be shown separately under Section 113 (2) of The Companies Act	124,048.00	
Fees of Directors not included above	6,040.00	
Legal Fees, including expenses of patent litigation	23,082.07	
Depreciation of Plant, Machinery and Equip- ment	419,956.27	
Amortization of Patents and Processes	65,758.00	
Reserve for Income Tax	445,000.00	1,083,884.34
		1,998,995.42
NET PROFIT FOR THE YEAR		

DEDUCT:

Amount appropriated for Interest for 1939 and Sinking Fund re Income Funding Rights, in accordance with the Provisions of Clause 3 of Special By-Law "A"	122,400.00

BALANCE OF NET PROFIT for the year transferred to Earned Surplus Account	<u>\$1,876,595.42</u>
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EARNED SURPLUS ACCOUNT

as at December 31, 1939

BALANCE AT CREDIT, January 1, 1939	\$2,470,587.85
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DEDUCT:

Prior Year Adjustment—

Additional Provision for Amortization of Patents and Processes	10,883.26
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2,459,704.59

ADD:

Balance of Net Profit for the Year, transferred from Statement of Income and Expenditure . .	1,876,595.42
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4,336,300.01

DEDUCT:

Dividends Paid:

On Preferred Shares—

At rate of 7% per annum for 1939	\$700,000.00
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Participating Dividend of 50 cents per share, in respect of the year 1938	50,000.00
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750,000.00

On Common Shares, at rate of \$2.85 per share	742,165.65
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1,492,165.65

BALANCE AT CREDIT December 31, 1939

(\$116,761.78 of which is subject to distribution as a Participating Dividend, when declared)

\$2,844,134.36

Statement showing the amount of Earned Surplus as at December 31, 1939 available for distribution as a Participating Dividend on the 7% Cumulative Participating Preferred Stock.

AMOUNT OF EARNED SURPLUS as at December 31, 1938, which was subject to payment of a Participating Dividend of 10%, when declared.....	\$ 501,905.65
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DEDUCT:

Earned Surplus on which a Participating Dividend of \$50,000.00 was paid on March 31, 1939	500,000.00
	1,905.65

ADD:

Balance of Net Profit for the year 1939, per attached Statement of Income and Expenditure.	1,876,595.42
	1,878,501.07

DEDUCT:

Additional provision for amortization of Patents and Processes charged to Earned Surplus Account in 1939	\$ 10,883.26
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Dividends (other than Participating Dividends) paid on Preferred Shares in 1939	700,000.00
	710,883.26

AMOUNT OF EARNED SURPLUS as at December 31, 1939 which is subject to payment of a Participating Dividend of 10% (equivalent to \$1.16 per share) when declared	<u>\$1,167,617.81</u>
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